



Dave Yost • Auditor of State



**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of New Franklin  
Summit County  
5611 Manchester Road  
Akron, Ohio 44319-4200

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City of New Franklin, Summit County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, Police District and Fire District funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Government's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 17, 2014

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**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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The discussion and analysis of the City of New Franklin's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- The City's net position increased \$1,762,172, which represents an 18 percent increase from 2012.
- The City's total capital assets increased \$2,157,802 over 2012 from several road construction and resurfacing projects.
- The City has no outstanding debt.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of New Franklin as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2013 and how they affected the operations of the City as a whole.

***Reporting the City of New Franklin as a Whole***

*Statement of Net Position and the Statement of Activities*

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of New Franklin, the general fund, street maintenance and repair fund, police district fund and fire district funds are the most significant funds.

A question typically asked about the City's finances "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

The *Statement of Net Position* and the *Statement of Activities* consist of governmental activities.

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time services and transportation.

***Reporting the City of New Franklin's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, street maintenance and repair fund, police district fund and fire district fund.

***Governmental Funds*** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

**The City of New Franklin as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

**Table 1**  
**Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and Other Assets	\$ 7,395,230	\$ 7,676,263
Capital Assets	8,071,665	5,913,863
<i>Total Assets</i>	<u>15,466,895</u>	<u>13,590,126</u>
<b>Liabilities</b>		
Long-Term Liabilities	613,973	678,733
Other Liabilities	569,399	418,585
<i>Total Liabilities</i>	<u>1,183,372</u>	<u>1,097,318</u>
Deferred Inflows of Resources	<u>2,898,702</u>	<u>2,870,159</u>
<b>Net Position</b>		
Net Investment in Capital Assets	7,840,906	5,884,105
Restricted	2,289,549	2,327,285
Unrestricted	1,254,366	1,411,259
<i>Total Net Position</i>	<u>\$ 11,384,821</u>	<u>\$ 9,622,649</u>

At year end, capital assets represented 52 percent of total assets. Capital assets include land, infrastructure, buildings and improvements, furniture and equipment, vehicles and construction in progress. Net investment in capital assets were \$7,840,906 at December 31, 2013. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,289,549 million or 20 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$1,254,366 million may be used to meet the government's ongoing obligations to citizens and creditors.

Capital assets increased \$2,157,802 million over 2012 due to several road projects.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

Table 2 shows the changes in net position for 2013 and 2012.

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 577,617	\$ 634,174
Operating Grants	907,664	914,937
Capital Grants	1,855,515	0
<i>General Revenues:</i>		
Property Taxes	2,898,793	2,813,867
Income Taxes	1,161,849	1,087,232
Grants and Entitlements	996,734	879,136
Investment Earnings	242	9,648
Miscellaneous	65,258	85,908
<i>Total Revenues</i>	<u>8,463,672</u>	<u>6,424,902</u>
<b>Program Expenses</b>		
General Government	961,050	795,567
Security of Persons and Property	4,090,575	3,976,792
Public Health	126,441	125,005
Leisure Time Services	81,592	68,137
Community Development	146,980	114,583
Transportation	1,293,506	1,025,669
Interest and Fiscal Charges	1,356	2,649
<i>Total Program Expenses</i>	<u>6,701,500</u>	<u>6,108,402</u>
<i>Change in Net Position</i>	1,762,172	316,500
<i>Net Position Beginning of Year</i>	<u>9,622,649</u>	<u>9,306,149</u>
<i>Net Position End of Year</i>	<u>\$ 11,384,821</u>	<u>\$ 9,622,649</u>

**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being property taxes. Other prominent sources are municipal income taxes, grants and entitlements, and charges for services.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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The City's overall net position increased \$1,762,172 or 18 percent mainly due to capital grant revenues from ODOT and OPWC received in 2013 for road construction and resurfacing projects.

The City's income tax is at a rate of 1.0 percent, which has been in effect since September 1, 2005. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding most of the expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

Police and fire represent the largest expense of the governmental activities. This expense of \$4,090,575 represents 61 percent of the total governmental activities expenses. The police department operates out of the police district fund and the fire department operates out of the fire district fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,293,506, or 19 percent of total governmental activities expenses during 2013.

Expenses increased \$593,098 over 2012 mostly due to an increase in transportation expenses for road maintenance and repair.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$208,033 in 2013 equaling 3 percent of the total governmental services expenses.

### ***The City's Funds***

#### ***Governmental Funds***

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$8,290,047 and expenditures of \$8,878,550.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of 436,645, partially due to a \$600,000 transfer to the police district fund to help with the cost of operations.

The street maintenance and repair fund's net change in fund balance for fiscal year 2013 was an increase of \$146,377. This increase is due to the timing of tax collections and state funding received for projects.

The police district fund had a decrease in fund balance of \$29,886 and the fire district fund balance showed an increase of \$38,714 for 2013. These increases were due to the timing of tax collections compared to operating costs.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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***Proprietary Funds***

The City's only proprietary fund is the internal service fund which is rolled into in the government-wide financial statements.

Information about the City's proprietary fund begins on page 23.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2013, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole. Council formally approves any changes to appropriations.

For the general fund, actual budget basis revenue of \$3,666,305 million was \$114,791 under the final budget estimate of \$3,781,096, with no individually significant item accounting for the difference. ODOT and OPWC grant money was not originally estimated, which accounts for the \$1,957,614 increase in final budget basis revenue over original budget.

Final expenditure appropriations of \$3,090,537 were \$84,299 higher than the actual expenditures of \$3,174,836, as cost savings were recognized throughout the year. Original expenditure appropriations were \$1,448,763 less than final expenditure appropriations since the road projects had not been planned at that time.

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**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2013, the City had \$8,071,665 invested in capital assets. Table 3 shows fiscal year 2013 balances compared with 2012.

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities	
	2013	2012
Land	\$ 1,408,110	\$ 1,299,767
Construction in Progress	445,703	273,619
Buildings and Improvements	1,029,170	1,052,292
Furniture and Equipment	672,452	727,500
Vehicles	875,168	1,048,132
Infrastructure	3,641,062	1,512,553
<i>Total</i>	\$ 8,071,665	\$ 5,913,863

The \$2,157,802 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals. The City completed road and stormwater projects in 2013 and has another road project in progress. See Note 7 for additional information about the capital assets of the City.

**Debt**

At December 31, 2013, the City had no outstanding long term debt obligations, other than compensated absences. See Note 10 and 11 for additional information.

***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan M. Cooke, Finance Director at 5611 Manchester Road, Akron, Ohio 44319.

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**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Net Position*  
*December 31, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,889,140
Accounts Receivable	172,884
Intergovernmental Receivable	907,116
Taxes Receivable	3,408,889
Materials and Supplies Inventory	17,201
Non-Depreciable Capital Assets	1,853,813
Depreciable Capital Assets, Net	6,217,852
<i>Total Assets</i>	<i>15,466,895</i>
<b>Liabilities</b>	
Accounts Payable	45,708
Accrued Wages	84,814
Contracts Payable	230,759
Intergovernmental Payable	130,159
Claims Payable	77,959
Long-Term Liabilities:	
Due Within One Year	66,758
Due in More Than One Year	547,215
<i>Total Liabilities</i>	<i>1,183,372</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	2,898,702
<b>Net Position</b>	
Net Investment in Capital Assets	7,840,906
Restricted For:	
Debt Service	2,183
Police and Fire Operations	39,136
Street Construction and Maintenance	1,690,137
Other Purposes	558,093
Unrestricted	1,254,366
<i>Total Net Position</i>	<i>\$ 11,384,821</i>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 961,050	\$ 102,514	\$ 6,601	\$ 0	\$ (851,935)
Security of Persons and Property	4,090,575	408,038	84,351	0	(3,598,186)
Public Health	126,441	12,089	0	0	(114,352)
Leisure Time Services	81,592	49,104	1,900	0	(30,588)
Community Development	146,980	5,872	0	0	(141,108)
Transportation	1,293,506	0	814,812	1,855,515	1,376,821
Interest and Fiscal Charges	1,356	0	0	0	(1,356)
<i>Total Governmental Activities</i>	<u>\$ 6,701,500</u>	<u>\$ 577,617</u>	<u>\$ 907,664</u>	<u>\$ 1,855,515</u>	<u>(3,360,704)</u>
<b>General Revenues:</b>					
Property Taxes Levied for:					
					144,858
					358,846
					2,395,089
Income Taxes Levied for:					
					1,104,252
					57,597
Grants and Entitlements not Restricted to Specific Programs					
					996,734
Investment Earnings					
					242
Miscellaneous					
					65,258
<i>Total General Revenues</i>					
					<u>5,122,876</u>
<i>Change in Net Position</i>					
					1,762,172
<i>Net Position Beginning of Year</i>					
					<u>9,622,649</u>
<i>Net Position End of Year</i>					
					<u>\$ 11,384,821</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2013*

	General Fund	Street Maintenance and Repair	Police District	Fire District	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 423,015	\$ 1,275,342	\$ 70,830	\$ 206,228	\$ 734,440	\$ 2,709,855
Accounts Receivable	150,933	0	1,091	1,350	11,258	164,632
Intergovernmental Receivable	242,446	345,791	57,544	143,863	117,472	907,116
Taxes Receivable	542,037	367,038	743,861	1,735,295	20,658	3,408,889
Interfund Receivable	10,160	0	0	0	0	10,160
Materials and Supplies Inventory	0	17,201	0	0	0	17,201
<i>Total Assets</i>	<u>\$ 1,368,591</u>	<u>\$ 2,005,372</u>	<u>\$ 873,326</u>	<u>\$ 2,086,736</u>	<u>\$ 883,828</u>	<u>\$ 7,217,853</u>
<b>Liabilities</b>						
Accounts Payable	\$ 16,968	\$ 14,250	\$ 3,228	\$ 1,302	\$ 9,960	\$ 45,708
Accrued Wages	16,659	8,918	23,516	35,721	0	84,814
Contracts Payable	102,269	0	0	0	128,490	230,759
Intergovernmental Payable	34,543	11,532	33,979	50,105	0	130,159
Interfund Payable	0	0	0	0	10,160	10,160
<i>Total Liabilities</i>	<u>170,439</u>	<u>34,700</u>	<u>60,723</u>	<u>87,128</u>	<u>148,610</u>	<u>501,600</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for the Next Year	144,569	354,846	721,055	1,678,232	0	2,898,702
Unavailable Revenue - Delinquent Property Taxes	4,967	12,192	22,806	57,063	0	97,028
Unavailable Revenue - Income Tax	230,650	0	0	0	12,139	242,789
Unavailable Revenue - Other	159,323	243,956	56,819	143,551	93,411	697,060
<i>Total Deferred Inflows of Resources</i>	<u>539,509</u>	<u>610,994</u>	<u>800,680</u>	<u>1,878,846</u>	<u>105,550</u>	<u>3,935,579</u>
<b>Fund Balances</b>						
Nonspendable	0	17,201	0	0	0	17,201
Restricted	0	1,342,477	11,923	120,762	544,637	2,019,799
Committed	0	0	0	0	200,186	200,186
Assigned	441,886	0	0	0	0	441,886
Unassigned	216,757	0	0	0	(115,155)	101,602
<i>Total Fund Balances</i>	<u>658,643</u>	<u>1,359,678</u>	<u>11,923</u>	<u>120,762</u>	<u>629,668</u>	<u>2,780,674</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,368,591</u>	<u>\$ 2,005,372</u>	<u>\$ 873,326</u>	<u>\$ 2,086,736</u>	<u>\$ 883,828</u>	<u>\$ 7,217,853</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2013*

<b>Total Governmental Fund Balances</b>		\$ 2,780,674
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,071,665
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 97,028	
Income Tax	284,989	
Intergovernmental	654,860	1,036,877
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		109,578
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		(613,973)
<i>Net Position of Governmental Activities</i>		\$ 11,384,821

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General Fund	Street Maintenance and Repair	Police District	Fire District	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 144,418	\$ 357,767	\$ 714,841	\$ 1,672,935	\$ 0	\$ 2,889,961
Income Taxes	1,101,443	0	0	0	41,465	1,142,908
Charges for Services	246,695	0	70,047	3,154	90,983	410,879
Licenses and Permits	101,882	0	0	0	0	101,882
Fines and Forfeitures	0	0	2,356	0	313	2,669
Intergovernmental	2,150,785	696,663	131,809	290,902	354,853	3,625,012
Interest	242	313	783	1,044	37	2,419
Rent	43,466	0	0	0	0	43,466
Contributions and Donations	1,971	0	457	3,165	5,452	11,045
Other	16,536	9,127	16,804	15,352	1,987	59,806
<i>Total Revenues</i>	<u>3,807,438</u>	<u>1,063,870</u>	<u>937,097</u>	<u>1,986,552</u>	<u>495,090</u>	<u>8,290,047</u>
<b>Expenditures</b>						
Current:						
General Government	959,110	0	0	0	219,530	1,178,640
Security of Persons and Property	470,931	0	1,532,798	1,881,294	21,793	3,906,816
Public Health	112,125	0	0	0	14,316	126,441
Leisure Time Services	62,394	0	0	0	15,855	78,249
Community Development	129,727	0	0	0	0	129,727
Transportation	320,387	937,908	0	0	100,738	1,359,033
Capital Outlay	1,589,409	0	34,185	47,430	397,506	2,068,530
Debt Service:						
Principal Retirement	0	0	0	29,758	0	29,758
Interest and Fiscal Charges	0	0	0	1,356	0	1,356
<i>Total Expenditures</i>	<u>3,644,083</u>	<u>937,908</u>	<u>1,566,983</u>	<u>1,959,838</u>	<u>769,738</u>	<u>8,878,550</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>163,355</u>	<u>125,962</u>	<u>(629,886)</u>	<u>26,714</u>	<u>(274,648)</u>	<u>(588,503)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	0	0	0	12,000	9,170	21,170
Transfers In	0	20,415	600,000	0	0	620,415
Transfers Out	(600,000)	0	0	0	(20,415)	(620,415)
<i>Total Other Financing Sources (Uses)</i>	<u>(600,000)</u>	<u>20,415</u>	<u>600,000</u>	<u>12,000</u>	<u>(11,245)</u>	<u>21,170</u>
<i>Net Change in Fund Balance</i>	<u>(436,645)</u>	<u>146,377</u>	<u>(29,886)</u>	<u>38,714</u>	<u>(285,893)</u>	<u>(567,333)</u>
<i>Fund Balance Beginning of Year, Restated</i> <i>See Note 18</i>	<u>1,095,288</u>	<u>1,213,301</u>	<u>41,809</u>	<u>82,048</u>	<u>915,561</u>	<u>3,348,007</u>
<i>Fund Balance End of Year</i>	<u>\$ 658,643</u>	<u>\$ 1,359,678</u>	<u>\$ 11,923</u>	<u>\$ 120,762</u>	<u>\$ 629,668</u>	<u>\$ 2,780,674</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2013*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (567,333)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,640,161	
Current Year Depreciation	<u>(476,359)</u>	2,163,802
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(6,000)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	8,832	
Income Tax	18,941	
Intergovernmental	<u>88,190</u>	115,963
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Lease		29,758
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(9,020)
 Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>35,002</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u><u>\$ 1,762,172</u></u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 120,173	\$ 144,000	\$ 144,418	\$ 418
Income Taxes	891,700	1,070,000	1,071,602	1,602
Charges for Services	204,705	285,500	246,005	(39,495)
Licenses and Permits	86,465	127,000	103,910	(23,090)
Intergovernmental	507,267	2,088,028	2,083,606	(4,422)
Interest	391	1,000	470	(530)
Contributions and Donations	59	100	71	(29)
Other	12,722	65,468	16,223	(49,245)
<i>Total Revenues</i>	1,823,482	3,781,096	3,666,305	(114,791)
<b>Expenditures</b>				
Current:				
General Government	957,380	929,521	892,907	36,614
Security of Persons and Property	29,000	29,000	22,472	6,528
Public Health	112,493	112,795	112,795	0
Community Development	133,200	135,200	126,047	9,153
Transportation	443,000	368,208	347,762	20,446
Capital Outlay	51,000	1,600,112	1,588,554	11,558
<i>Total Expenditures</i>	1,726,073	3,174,836	3,090,537	84,299
<i>Excess of Revenues Over (Under) Expenditures</i>	97,409	606,260	575,768	(30,492)
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(10,160)	(10,160)	0
Transfers Out	(1,115,000)	(1,115,000)	(950,000)	165,000
<i>Total Other Financing Sources (Uses)</i>	(1,115,000)	(1,125,160)	(960,160)	165,000
<i>Net Change in Fund Balance</i>	(1,017,591)	(518,900)	(384,392)	134,508
<i>Fund Balance Beginning of Year, Restated, See Note 18</i>	647,300	647,300	647,300	0
<i>Fund Balance End of Year</i>	\$ (370,291)	\$ 128,400	\$ 262,908	\$ 134,508

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Maintenance and Repair Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 355,000	\$ 355,000	\$ 357,767	\$ 2,767
Intergovernmental	656,768	656,768	691,899	35,131
Interest	0	0	313	313
Other	2,000	2,000	9,127	7,127
<i>Total Revenues</i>	<u>1,013,768</u>	<u>1,013,768</u>	<u>1,059,106</u>	<u>45,338</u>
<b>Expenditures</b>				
Current:				
Transportation	1,767,193	1,767,193	1,034,682	732,511
Capital Outlay	140,000	140,000	0	140,000
<i>Total Expenditures</i>	<u>1,907,193</u>	<u>1,907,193</u>	<u>1,034,682</u>	<u>872,511</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(893,425)</u>	<u>(893,425)</u>	<u>24,424</u>	<u>917,849</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	20,415	20,415
<i>Net Change in Fund Balance</i>	<u>(893,425)</u>	<u>(893,425)</u>	<u>44,839</u>	<u>938,264</u>
<i>Fund Balance Beginning of Year, Restated, See Note 18</i>	1,154,960	1,154,960	1,154,960	0
Prior Year Encumbrances Appropriated	33,893	33,893	33,893	0
<i>Fund Balance End of Year</i>	<u>\$ 295,428</u>	<u>\$ 295,428</u>	<u>\$ 1,233,692</u>	<u>\$ 938,264</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police District Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 708,852	\$ 708,852	\$ 714,841	\$ 5,989
Charges for Services	60,000	60,000	70,047	10,047
Fines and Forfeitures	1,000	1,000	1,741	741
Intergovernmental	115,000	115,000	131,084	16,084
Interest	0	0	783	783
Contributions and Donations	0	0	7	7
Other	5,000	5,000	16,163	11,163
<i>Total Revenues</i>	<u>889,852</u>	<u>889,852</u>	<u>934,666</u>	<u>44,814</u>
<b>Expenditures</b>				
Current:				
Transportation	1,640,200	1,628,795	1,562,194	66,601
Capital Outlay	40,000	51,405	34,185	17,220
<i>Total Expenditures</i>	<u>1,680,200</u>	<u>1,680,200</u>	<u>1,596,379</u>	<u>83,821</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(790,348)</u>	<u>(790,348)</u>	<u>(661,713)</u>	<u>128,635</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	750,000	750,000	600,000	(150,000)
<i>Net Change in Fund Balance</i>	<u>(40,348)</u>	<u>(40,348)</u>	<u>(61,713)</u>	<u>(21,365)</u>
<i>Fund Balance Beginning of Year</i>	<u>130,217</u>	<u>130,217</u>	<u>130,217</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 89,869</u>	<u>\$ 89,869</u>	<u>\$ 68,504</u>	<u>\$ (21,365)</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire District Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 1,675,000	\$ 1,675,000	\$ 1,672,935	\$ (2,065)
Charges for Services	4,000	4,000	2,887	(1,113)
Intergovernmental	277,563	277,563	290,902	13,339
Interest	1,099	1,099	1,044	(55)
Contributions and Donations	2,000	2,000	1,815	(185)
Other	13,401	13,401	15,387	1,986
<i>Total Revenues</i>	<u>1,973,063</u>	<u>1,973,063</u>	<u>1,984,970</u>	<u>11,907</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,133,797	2,133,797	1,950,546	183,251
Capital Outlay	58,500	58,500	47,430	11,070
Debt Service:				
Principal Retirement	29,758	29,758	29,758	0
Interest and Fiscal Charges	1,356	1,356	1,356	0
<i>Total Expenditures</i>	<u>2,223,411</u>	<u>2,223,411</u>	<u>2,029,090</u>	<u>194,321</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(250,348)</u>	<u>(250,348)</u>	<u>(44,120)</u>	<u>206,228</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	12,000	12,000	12,000	0
<i>Net Change in Fund Balance</i>	(238,348)	(238,348)	(32,120)	206,228
<i>Fund Balance Beginning of Year</i>	<u>238,348</u>	<u>238,348</u>	<u>238,348</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 206,228</u>	<u>\$ 206,228</u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 179,285
Accounts Receivable	<u>8,252</u>
<i>Total Assets</i>	<u>187,537</u>
<b>Liabilities</b>	
Claims Payable	<u>77,959</u>
<b>Net Position</b>	
Unrestricted	<u>109,578</u>
<i>Total Net Position</i>	<u><u>\$ 109,578</u></u>

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 866,298
<b>Operating Expenses</b>	
Contractual Services	19,596
Claims	855,722
<i>Total Operating Expenses</i>	875,318
<i>Change in Net Position</i>	(9,020)
<i>Net Position Beginning of Year</i>	118,598
<i>Net Position End of Year</i>	\$ 109,578

See accompanying notes to the basic financial statements.

**City of New Franklin**  
**Summit County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

	Governmental Activities - Internal Service Fund
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 869,393
Cash Payments to Suppliers for Goods and Services	(19,596)
Cash Payments for Claims	(835,544)
<i>Net Cash Provided by (Used for) Operating Activities</i>	14,253
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	14,253
<i>Cash and Cash Equivalents Beginning of Year</i>	165,032
<i>Cash and Cash Equivalents End of Year</i>	\$ 179,285
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	\$ (9,020)
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	3,095
Increase (Decrease) in Liabilities:	
Claims Payable	20,178
<i>Net Cash Provided by (Used For) Operating Activities</i>	\$ 14,253

See accompanying notes to the basic financial statements.

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**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 – Description of the City and Reporting Entity**

On January 1, 2005, the Village of New Franklin and New Franklin Township merged into one entity ("Village of New Franklin"). On March 6, 2006, the Village of New Franklin became the City of New Franklin (the "City") as a political body and corporation established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The City operates under a charter as a home-rule municipal corporation under the laws of the State of Ohio. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services to the citizens of the City.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The City participates in one public entity risk pool and one jointly governed organization. These organizations are the Ohio Municipal League Pooling Program and the Regional Council of Governments. These are presented in Note 12 and 14 to the basic financial statements.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**Note 2 – Summary of Significant Accounting Policies**

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements***

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

***Governmental Funds***

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

**City of New Franklin**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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*General Fund* - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Street Maintenance & Repair Fund* – The street maintenance and repair special revenue fund accounts for financial resources whose use is restricted to constructing, maintaining and repairing roads and bridges.

*Police District Fund* – The police district special revenue fund accounts for financial resources whose use is restricted to police department expenditures. These resources are primarily generated through two special tax levies and general fund transfers.

*Fire District Fund* – The fire district special revenue fund accounts for financial resources whose use is restricted to fire department expenditures. These resources are primarily generated through two special tax levies.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the City's only proprietary fund type:

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical, dental, prescription drug and life insurance benefits.

***Measurement Focus***

***Government-wide Financial Statements***

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Position.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**City of New Franklin**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of this fund is included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

***Deferred Inflows of Resources and Deferred Outflows of Resources***

A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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eligibility requirements are met and delinquent property taxes due at December 31, 2013, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternative tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

***Alternative Tax Budget*** – During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

***Estimated Resources*** – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2013.

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***Appropriations*** – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and personal services within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriation measures were passed, some of which were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications for the 12 month period.

***Lapsing of Appropriations*** – At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds are maintained in this pool. Individual fund integrity is maintained through the City's records.

During 2013, investments included a repurchase agreement.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$242, which includes \$194, assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are

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capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are required to be depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land and Construction in Progress	N/A
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 16 Years
Infrastructure	20 Years

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are eligible to receive termination benefits and those the City had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

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***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council. The City Council has by resolution authorized the Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**City of New Franklin**  
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***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include parks and recreation, and law enforcement and fire department operations.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues include charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses. Interfund transfers are eliminated when reported in the entity wide financial statements. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**City of New Franklin**  
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***Changes in Accounting Principles***

For the year ended December 31, 2013, the City has implemented Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City’s financial statements.

**Note 3 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

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The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General Fund	Street Maintenance and Repair Fund	Police District Fund	Fire District Fund	Other Governmental Funds	Total
Nonspendable for:						
Inventory	\$ 0	\$ 17,201	\$ 0	\$ 0	\$ 0	\$ 17,201
Restricted for:						
Street Improvement/Repair	0	1,342,477	0	0	337,938	1,680,415
Police and Fire Operations	0	0	11,923	120,762	1,016	133,701
Street Lighting	0	0	0	0	18,184	18,184
Drug Programs	0	0	0	0	52,600	52,600
Cemetery Operations	0	0	0	0	121,658	121,658
Other Purposes	0	0	0	0	13,241	13,241
Total Restricted	<u>0</u>	<u>1,342,477</u>	<u>11,923</u>	<u>120,762</u>	<u>544,637</u>	<u>2,019,799</u>
Committed to:						
Parks and Recreation	0	0	0	0	106,033	106,033
Fire Department Capital Outlay	0	0	0	0	94,153	94,153
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,186</u>	<u>200,186</u>
Assigned for:						
Subsequent Year Appropriations	441,886	0	0	0	0	441,886
Unassigned (Deficit)	<u>216,757</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(115,155)</u>	<u>101,602</u>
Total Fund Balance (Deficit)	<u>\$ 658,643</u>	<u>\$ 1,359,678</u>	<u>\$ 11,923</u>	<u>\$ 120,762</u>	<u>\$ 629,668</u>	<u>\$ 2,780,674</u>

\* Unassigned fund balance included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
EPA Stormwater Fund	\$ 111,855
Bulletproof Vest Fund	3,300

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

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**Note 4 – Deposits and Investments**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds with the City Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and political subdivisions;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits:** The carrying value of the City's deposits totaled \$837,973 and the bank balances of the deposits totaled \$1,052,193. Of the bank balance \$347,690 was covered by depository insurance; and \$704,503 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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**Investments**

Investments are reported at fair value. As of December 31, 2013, the City had the following investments:

Standard and Poors	Investment	Fair Value	Investment Maturity Less than One Year	% Total Investments
N/A *	Repurchase Agreement	\$ 2,051,167	\$ 2,051,167	100.0%

\* Underlying securities are exempt

**Interest Rate Risk:** Interest rate risk is the possibility that changes in interest rate will adversely affect the fair value of an investment. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

**Credit Risk:** The City's investments credit ratings are summarized above.

**Concentration of Credit Risk:** The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the City's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related purchase agreement. The City's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Note 5 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, street maintenance and repair fund, police district fund and fire district fund.

**Net Change in Fund Balance**

	<u>General **</u>	<u>Street Maintenance and Repair</u>	<u>Police District</u>	<u>Fire District</u>
GAAP Basis (as reported)	\$ (436,645)	\$ 146,377	\$(29,886)	\$ 38,714
Adjustments:				
Net adjustment for revenue accruals	275,012	(4,764)	(2,431)	(1,582)
Net adjustment for expenditure accruals	124,551	(55,126)	(27,697)	(69,252)
Advance out	(10,160)	0	0	0
Funds budgeted elsewhere	40,225	0	0	0
Encumbrances	<u>(27,375)</u>	<u>(41,648)</u>	<u>(1,699)</u>	<u>0</u>
Budget Basis	<u>\$ (384,392)</u>	<u>\$ 44,839</u>	<u>\$(61,713)</u>	<u>\$(32,120)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, certain funds that are legally budgeted in separate special revenue funds are considered part of general fund on a gaap basis. This includes the income tax fund, the dispatch fund and the Franklin Park civic fund.

**Note 6 – Receivables**

Receivables at December 31, 2013, consisted of taxes, accounts, interfund and intergovernmental receivables arising from grants, entitlements and shared revenues. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

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2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2013, was \$14.65 per \$1,000 of assessed valuation. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

	<u>Summit County</u>
Real Property	\$ 291,441,610
Public Utilities - Real	49,460
Public Utilities - Personal	15,003,830
Total	\$ 306,494,900

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Public utility property taxes are payable on the same dates as real property taxes.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of New Franklin. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

**City of New Franklin**  
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***Income Taxes***

The City levies a municipal income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. Effective September 1, 2005, the income tax rate was 1 percent. The Regional Income Tax Agency (RITA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on work done or services performed in the City by both residents and non-residents of the City. All individuals who work or conduct business in the City and do not have income tax withheld must file estimated tax returns using the 1 percent rate for 2013 and remit the tax to the City either monthly or quarterly, as required. All businesses located in or doing business in the City must file a net profit estimate for 2014 using the 1 percent rate.

All residents, 16 years of age and over, working outside the City are subject to the 1 percent tax less the credit allowed for taxes paid to another taxing community. Residents are given full credit for taxes paid to another community up to the 1 percent.

Income tax revenues are allocated based on City ordinance. The parks and recreation program receives 5 percent of the collections and the balance goes to the general fund. In 2013, all costs of collecting the taxes and administering and enforcing the provisions were paid from the general fund.

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**Note 7 – Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/13
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,299,767	\$ 108,343	\$ 0	\$ 1,408,110
Construction in Progress	273,619	2,441,077	(2,268,993)	445,703
<i>Total Capital Assets Not Being Depreciated</i>	1,573,386	2,549,420	(2,268,993)	1,853,813
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	1,370,132	14,485	0	1,384,617
Furniture and Equipment	1,483,976	38,749	(44,928)	1,477,797
Vehicles	2,560,972	37,507	(100,317)	2,498,162
Infrastructure	1,675,175	2,268,993	0	3,944,168
<i>Total Capital Assets Being Depreciated</i>	7,090,255	2,359,734	(145,245)	9,304,744
<i>Accumulated Depreciation</i>				
Buildings and Improvements	(317,840)	(37,607)	0	(355,447)
Furniture and Equipment	(756,476)	(93,797)	44,928	(805,345)
Vehicles	(1,512,840)	(204,471)	94,317	(1,622,994)
Infrastructure	(162,622)	(140,484)	0	(303,106)
<i>Total Accumulated Depreciation</i>	(2,749,778)	(476,359)	139,245	(3,086,892)
<i>Total Capital Assets Being Depreciated, Net</i>	4,340,477	1,883,375	(6,000)	6,217,852
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,913,863</b>	<b>\$ 4,432,795</b>	<b>\$ (2,274,993)</b>	<b>\$ 8,071,665</b>

Depreciation expense was charged to programs as follows:

	Depreciation
Security of Persons and Property	\$ 223,456
Leisure Time Services	3,343
Transportation	230,167
General Government	19,393
	476,359
<b>Total Depreciation Expense</b>	<b>\$ 476,359</b>

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$192,869, \$150,448, and \$154,606, respectively. For 2013, 92.0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$12,226 made by the City and \$8,733 made by the plan members.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***B. Ohio Police and Fire Pension Fund (OP&F)***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – From January 1, 2013 through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. The City's contributions to OP&F for police and firefighters were \$46,213 and \$147,502 for the year ended December 31, 2013, \$22,197 and \$77,399 for the year ended December 31, 2012, and \$41,466 and \$153,237 for the year ended December 31, 2011, respectively. 89.3 percent for police and 88.9 percent for firefighters has been contributed for 2013. The full amount has been contributed for 2012 and 2011.

***Social Security System***

As of December 31, 2013, certain members of Council have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

**Note 9 – Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

**City of New Franklin**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0 percent during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$13,680, \$54,432 and \$56,050, respectively. For 2013, 92.0 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***B. Ohio Police and Fire Pension Fund (OP&F)***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69 percent of covered payroll from January 1, 2013 through May 31, 2013 and 2.85 percent from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$9,605 and \$24,000 for the year ended December 31, 2013, \$11,751 and \$30,286 for the year ended December 31, 2012, and \$21,952 and \$59,962 for the year ended December 31, 2011. 89.3 percent has been contributed for police and 88.9 percent has been contributed for firefighters for 2013. The full amount has been contributed for 2012 and 2011.

**Note 10 – Long Term Obligations**

Long term liability activity for the year ended December 31, 2013 was as follows:

	Outstanding 12/31/2012	Additions	Deletions	Outstanding 12/31/2013	Amounts Due in One Year
<i>Long Term Obligations</i>					
Capital Leases	\$ 29,758	\$ 0	\$ 29,758	\$ 0	\$ 0
Compensated Absences	648,975	25,994	60,996	613,973	66,758
<i>Total Long Term Obligations</i>	<u>\$ 678,733</u>	<u>\$ 25,994</u>	<u>\$ 90,754</u>	<u>\$ 613,973</u>	<u>\$ 66,758</u>

The capital lease was paid from the fire district fund and compensated absences are paid from the general fund, street maintenance and repair fund, police district fund and the fire district fund.

**Note 11 - Capitalized Leases**

Capital lease obligations relate to equipment which is leased under a long-term agreement. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the fire district. These expenditures are reflected as program/function expenditures on a budgetary basis. The lease was paid off in 2013.

**Note 12 – Risk Management**

***Property, Casualty and Liability***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In January through March, 2013, the City contracted with Ohio Municipal League Pooling Program for various types of insurance.

In April 2013, the City contracted with the Public Entities Pool of Ohio, (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Casualty Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains Insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$ 34,389,569	\$ 33,362,404
Liabilities	(14,208,353)	(14,187,273)
Retained Earnings	\$ 20,181,216	\$ 19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2012 and 2011, respectively. This is the latest information available. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the City's share of these unpaid claims collectible in future years is approximately \$46,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership are as follows:

Contributions to PEP

2013            \$ 46,231

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing sixty days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Medical***

The City is self-insured for its medical insurance, dental insurance, prescription drug program, and life insurance. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During the period ending December 31, 2013, a total expense of \$875,318 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$30,000. The liability for unpaid claims cost of \$77,959 reported in the fund at December 31, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as charges for services to other funds.

Changes in the fund's claims liability amount in 2013 and 2012 were:

	Balance January 1	Current Year Claims	Claim Payments	Balance December 31
2012	\$ 178,975	\$ 743,592	\$ 864,786	\$ 57,781
2013	\$ 57,781	\$ 855,722	\$ 835,544	\$ 77,959

**Note 13 – Contingencies**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**Note 14 - Jointly Governed Organization**

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing of facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose.

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for over 160 municipalities throughout the State of Ohio. Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA. The Council did not receive any funding from the City during the current year.

**Note 15 – Interfund Transfers and Advances**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers in 2013 are as follows:

Transfers Out	Transfers In		
	Street Maintenance and Repair	Police District	Total
General Fund	\$ 0	\$ 600,000	\$ 600,000
Nonmajor Governmental	20,415	0	20,415
Total	\$ 20,415	\$ 600,000	\$ 620,415

General fund transferred to the police district fund to cover expenditures. The Renninger Road fund transferred the residual balance to the street maintenance and repair fund to be used for future road projects.

In 2013, the general fund advanced \$3,630 and \$6,530 to the bulletproof vest fund and litter prevention fund, respectively. These advances are expected to be repaid in 2014.

**Note 16 – Contractual Commitment**

The City had the following contractual commitments outstanding at December 31, 2013:

	Contractual Commitment	Expended	Balance Remaining
619/S. Turkeyfoot Road Improvement	\$ 573,869	\$ 445,703	\$ 128,166

**City of New Franklin**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 17 – Encumbrance Commitment**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City’s commitments for encumbrances in the street construction fund were \$29,031 and other governmental funds were \$4,079.

**Note 18 – Fund Balance Restatement**

In 2012, fund balances for general fund and the street maintenance and repair fund were misstated in error. The following is the correction to fund balance:

	General Fund	Street Maintenance and Repair Fund
Fund Balance December 31, 2012	\$ 915,040	\$ 1,393,549
Adjustment	180,248	(180,248)
Restated Fund Balance January 1, 2013	\$ 1,095,288	\$ 1,213,301

The following is the correction to the budgetary fund balance:

	General Fund	Street Maintenance and Repair Fund
Fund Balance December 31, 2012	\$ 452,475	\$ 1,335,208
Adjustment	194,825	(180,248)
Restated Fund Balance January 1, 2013	\$ 647,300	\$ 1,154,960

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of New Franklin  
Summit County  
5611 Manchester Road  
Akron, Ohio 44319-4200

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 17, 2014, wherein we noted the City adopted the provisions of Governmental Accounting Standard No. 65 *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 17, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of New Franklin  
Summit County  
5611 Manchester Road  
Akron, Ohio 44319-4200

To the City Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the City of New Franklin's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of New Franklin's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

### ***Management's Responsibility***

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the City of New Franklin complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

***Report on Internal Control Over Compliance***

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 17, 2014

**CITY OF NEW FRANKLIN  
SUMMIT COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation</i>			
<u>Highway Planning and Construction</u>			
Cleveland Massillon Road Resurfacing Project	PID 93818	20.205	\$566,167
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Passed Through Ohio Environmental Protection Agency</i>			
<u>Nonpoint Source Implementation Grant</u>			
New Franklin Innovative Stormwater Demonstration Project	34-6001168	66.460	168,120
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through the Ohio Federal Emergency Management Agency</i>			
Assistance to Firefighters Grant Program - Fire Prevention and Safety	EMW-2012-FP-00832	97.044	25,607
Assistance to Firefighters Grant Program - Operations and Safety	EMW-2012-FO-06302	97.044	<u>43,737</u>
Total U.S Department of Homeland Security			69,344
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Direct</i>			
Bulletproof Vest Partnership Program (BVP)	N/A	16.607	3,960
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through Ohio Governor's Office of Criminal Justice Services</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	2012-JG-LLE-5182	16.803	5,378
Dare Grant Program	N/A	16.001	<u>5,011</u>
Total Passed Through Ohio Governor's Office of Criminal Justice Services			<u>10,389</u>
Total U.S. Department of Justice			<u>14,349</u>
<b>Grand Total</b>			<b><u><u>\$817,980</u></u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (Schedule) reports the City of New Franklin's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
December 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Rev. Code Section 5705.39 The original and final appropriations exceeded estimated resources in the General Fund by \$395,041 and \$125,406, respectively. In addition, the original appropriations exceeded estimated resources in the Street Maintenance and Repair Fund by \$618,165 and in the Fire District Fund by \$94,622. Finally, the City did not obtain certification from the Summit County Fiscal Officer that total appropriations did not exceed the official estimate or amended estimate.	Yes	
2012-002	Material Weakness - Bank Reconciliations and Review of Financial Reports: During fiscal year 2012, there were no accurate month end bank reconciliations performed by the Finance Director for presentation to City Council. In addition, monthly financial reports (revenue, expense, budgetary, cash balances) for the first half of 2012 were not always submitted to Council on a timely basis for their review and approval.	No	Partially Corrected - See Management Letter



# Dave Yost • Auditor of State

**CITY OF NEW FRANKLIN**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2014**